

Service Date: November 24, 1993

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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| IN THE MATTER Of The Application |) | UTILITY DIVISION |
| Of The MONTANA POWER COMPANY's |) | |
| Unreflected Gas Cost Account |) | DOCKET NO. 93.11.54 |
| Balance as of August 31, 1993 to |) | |
| its Gas Tracking Proposal for the |) | ORDER NO. 5761 |
| Period September 1, 1993 to August |) | |
| 31, 1994, IMR Differential |) | |
| Recovery, NGI Recovery, and GTAC |) | |
| Recovery. |) | |
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INTERIM ORDER

1. On November 8, 1993, the Montana Power Company (MPC, Applicant) filed its annual gas tracking application, which was denominated Docket No. 93.11.54. MPC seeks approval of deferred gas costs, as well as a gas cost for purposes of computing the base cost of gas for the tracking period. It also seeks to recover balances which have accrued because of the difference between sales made at the Interruptible Market Retention (IMR) rate and interruptible industrial gas rate and which have accrued pursuant to the Gas Transportation Adjustment Clause (GTAC). The original application seeks a revenue reduction of \$2,574,453.00.

2. The rate and revenue impacts of the filing are as follows, on a unit basis:

3. With respect to the above schedule, the Commission notes the following:

- A. Inclusion of consideration for the IMR revenue differential balance is consistent with the previous interim orders. The remaining IMR revenue differential balance of \$62,386 overcollected is a result of the cessation of the amortization approved in Order No. 5579, pursuant to Order No. 5667. Because of the inception of natural gas transportation, there is no IMR Balance for the 12-month period ending August, 1993 to offset this IMR overcollection, so this over collection is included as an adjustment to the 12-months ended August, 1993 Unreflected Gas Cost Balance.
- B. The Gas Transportation Adjustment Clause (GTAC) reflects off-system Section 311 transportation of 6,955,169 MMbtu at \$0.338 per MMbtu or \$2,350,851. This is for the 12-month period of September 1, 1992 through August 31, 1993. Also reflected in the GTAC is 3,394,506 MMbtu of on-system interruptible transportation at \$0.270 per MMbtu or \$917,464. The total GTAC revenues of \$3,268,315 are offset by \$880,913 which consists of \$600,000 of off-system revenue and \$156,984 of on-system revenue which are already included in rates; \$110,443 of increased operating expenses that are associated with the Butte Compressor; and \$13,486 of expenses associated with the capital investment associated with Conoco transportation, as approved in Order No. 5667a. The net GTAC amount for this docket is \$2,387,402.

4. MPC seeks current gas cost recovery according to the following mix:

5. One of the unique factors of the tracker this year, last year and the year preceding pertains to their impacts on the fixed cost allocations associated with the three year transition to open access transportation. MPC pledged to maintain lower, or at least stable, gas component costs, so as to mitigate the increased allocations of fixed costs to the core customers, i.e. residential, small business and small utility customers. Increased fixed cost allocations in 1993, the last year of the three year transition, resulted in an increase to residential customers of 3.9% in August.

6. For the core customers, the Commission approved for the first transition year current gas costs of \$1.08/Mcf. The Commission approved \$1.09/Mcf for the second transition year. In the current tracking case, MPC is requesting \$1.162/Mcf for the third transition year. One of the factors that contributes to the substantial increase for the third transition year is the loss on 9/1/93 of all Sales Subscription revenue credits. These credits, as a component of gas costs, were designed to mitigate the increased allocations of fixed costs to core customers.

7. Even though MPC is requesting a current gas cost that is 6.6% higher than that which was approved last year, there are other, offsetting factors that cause the overall request to be a decrease of \$2,574,453. The gas transportation adjustment clause is an offset, as is the industrial market retention balance and the unreflected gas cost balance.

8. The unreflected gas cost balance, which is the difference between forecasted gas costs and gas costs actually incurred, has been in an overcollected status in each of the last five years. If one were to contemplate that an average of the last five years overcollections in fact may occur in the current tracking period, the Commission, to prevent this, should approve a current gas cost of \$1.113/Mcf, instead of the \$1.162 that MPC has requested.

9. Use of a current gas cost of \$1.113/Mcf would mean that the reduction requested by MPC of \$2,574,453. would instead be \$3,496,502, a difference of \$922,049. The Commission finds for interim purposes that this adjustment is warranted in the context of the transition to open access transportation and the increased fixed cost allocations to core customers, the loss of Sales Subscription revenue credits for core customers, and as recognition of the flexibility that MPC has when it dispatches its gas supply elements to meet its market.

10. One cautionary note is that the tracking period which ends on 8/31/94 may reflect for the first time in several years a tightening natural gas supply market and commodity price increases. If the Commission were not to make the above adjustment and instead allowed MPC to reflect the amount in its balancing account, it could offset these probable commodity cost price increases and the cessation of amortizations from docket 93.11.54, which are significant. However, on balance the

Commission finds the adjustment of \$922,049. to be in the public interest. MPC is directed to adjust its projected current gas cost revenues accordingly. In total they will be reduced from \$21,931,000. to \$21,008,951, which will reduce the storage and transmission business unit gas cost to \$1.087/Mcf and the distribution business gas cost to \$1.114/Mcf. This amount is close to the current gas costs approved for years 1 and 2 of the transition to open access transportation.

11. The above adjustments will cause the unit gas cost increases that are shown in FOF #2 to change from \$.071/Mcf to \$.024/Mcf and from \$.063/Mcf to \$.021/Mcf. The commodity rates shown in column K of \$4.095/Mcf and \$2.555/Mcf will become \$4.053/Mcf and \$2.508/Mcf, respectively.

12. The Commission finds that all elements of the tracking filing as adjusted in the above FOF are acceptable for interim purposes. However, the Commission encourages MPC to continue to pursue gas cost strategies which will help control costs, including the provision of cost effective interconnect points so as to facilitate off system transportation.

CONCLUSIONS OF LAW

1. Montana Power Company is a corporation providing gas services within the State of Montana, and, as such, is a "public Utility" within the meaning of Section 69-3-101, MCA.

2. The Commission properly exercises jurisdiction over Montana Power Company's natural gas utility operations under Title

69, Chapter 3, MCA.

3. The Commission may approve increases or decreases in rates on an interim basis, pending a hearing on the merits (69-3-304).

ORDER

1. The Commission orders Montana Power Company to file rate schedules reflective of the Findings of Fact above to be effective for services rendered on and after November 23, 1993.

2. A Notice of Opportunity for Public Hearing will be issued in the future to allow parties the option of pursuing items of interest to them.

3. Any refunds shall include interest calculated at Montana Power Company's return or equity.

DONE AND DATED at Helena, Montana this 23rd day of November, 1993 by a 5 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

BOB ANDERSON, Chairman

BOB ROWE, Vice Chairman

DAVE FISHER, Commissioner

NANCY McCAFFREE, Commissioner

DANNY OBERG, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.